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ABSTRACT

A recent survey of 473 Minnesota businesses conducted by Parents in the Workplace (a nonprofit organization based in St. Paul, Minnesota) revealed that most area businesses provide or are considering providing a wide range of child care related benefits for employees. Flexible scheduling of employees' work hours, part-time work, leave to care for sick children, and disability leave for new mothers lead the list of benefits now offered. Benefits being considered include worksite parent education seminars, child care information/referral service, joint cooperation with other businesses in providing child care benefits, a flexible benefit program which allows employees to choose which benefits they want, and subscription to outside agencies to provide family-related services. Over 70 per cent of the respondents believe that assisting their employees with child care needs has a positive effect on absenteeism, employee recruitment, retention, productivity, and morale. Among the major concerns identified by employers of parents are absenteeism due to sick children, the inability to locate adequate child care providers, and providing equal opportunities for all employees to take advantage of child care benefits. (Author/MP)

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Parents in the Workplace Report

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1 The Impact of Working Women on Business

2 Minnesota Business Survey

3 Taxes and Child Care Programs

4 On the Job Parent Training

5 Child Care Delivery System

6 Flexible Benefits

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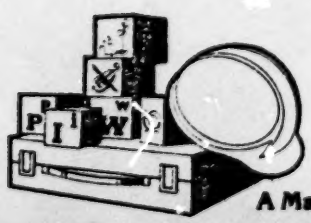

Summary of Findings

A recent survey of 473 Minnesota businesses has revealed that many now provide, or are considering providing, a wide range of child care related benefits for their employees.

Flexible scheduling of employees' work hours, part-time work, leave to care for sick children and disability leave for new mothers lead the list of benefits now offered by these businesses. Benefits being considered the most included worksite parent education seminars, child care information/referral service, a flexible benefit program, and job sharing. (See chart #1)

In addition, over 70% of the respondents believe that assisting their employees with child care needs has a positive effect on absenteeism, employee recruitment, retention, productivity and morale. In all, less than 5% believed that it would have a negative effect. (See chart #2)

The survey identified the following major concerns of employers with parent employees: absenteeism due to sick children, the inability to locate an adequate child care provider, and a concern for equity when only some employees could take advantage of a child care benefit.

Child Care Options

Chart #1 indicates that Minnesota businesses offer a wide variety of benefits and policies to working parents. In many cases, employee problems and concerns regarding child care are handled informally rather than under a written policy. This was found to be especially true for small companies where employees' problems are often treated on an individual basis and the company can be more flexible in making the necessary accommodations. Some employers occasionally permit their employees to bring their small children to work in an emergency. Other employers shift office hours to allow employees to attend special school functions and doctor's appointments.

Further examples of employer-initiated programs for working parents:

• **Sick leave for children** — Red Wing Shoe Company provides up to 30 days per year of unpaid leave for its employees to care for sick children or other illness in the family. All benefits continue to be paid by the company during the sick leave and there is the possibility of a leave extension. Precision Cosmet Company in Minnetonka allows up to six months of unpaid leave for disability associated with child birth or for family illness. Saturn Systems, Inc. in Eden Prairie has only ten employees and no written policy, but is flexible in providing paid time off on an individual basis to care for sick children. Many of these employees program mini-computers in their homes on a part-time, contract basis during evenings.

• **Child care subsidy** — St. Paul's United Hospitals and the Children's Hospital provide a child care allowance for employees who work the 11 p.m.-7 a.m. shift. This prorated subsidy, based on the number of hours worked, covers up to two children in a licensed family day care home or center.

• **Family leave** — Washington Scientific Industries in Long Lake has a family leave of absence program for family-related problems. The program covers up to 30 days of unpaid leave. To date the leave has primarily been used by male employees. The First National Bank of Pine City employs thirty people and allows six paid personal days a year, a policy that has been in effect since 1977. The reason for instituting the policy was because many young mothers needed extra time off to meet their home responsibilities.

• **Corporate charitable contributions** — Tennant Company of Golden Valley and Northern States Power of Minneapolis are two of a number of companies that have made charitable contributions to Child Care Services, Inc., a Twin Cities program that provides trained health care personnel to care for ill children in the home when parents must work. North American Life and Casualty Company of Minneapolis donates money to a nearby child care center. Another company loans some of its management services to a non-profit child care center.

• **Worksite parent seminars** — Mount Sinai Hospital in Minneapolis provided a series of four noontime seminars on parenting as part of their employee assistance program. The First National Bank of Minneapolis has offered seminars on balancing the responsibilities of the workplace and family and one on prenatal care. Both the company and the employee give up some freetime for the seminars. The Otto Bremer Foundation sponsored parent education and child care training seminars for twenty of their Bremer Bank Group communities in Minnesota, Wisconsin and North Dakota.

Employer Attitudes About the Effects of Child Care Benefits

Chart #2

In your opinion, does assisting with employee child care needs have a positive effect, no effect, or a negative effect on the following:

	Positive Effect	No Effect	Negative Effect
(a) Employee productivity?	319/72%	112/25%	13/3%
(b) Absenteeism?	369/80%	68/15%	22/5%
(c) Recruitment of new employees?	327/73%	111/25%	8/2%
(d) Retention of current employees?	312/71%	119/27%	7/2%
(e) Company profits?	169/41%	201/49%	40/10%
(f) Employee morale?	378/85%	55/12%	10/3%
(g) Tardiness?	296/67%	132/30%	16/3%
(h) Employee training costs?	138/33%	253/60%	28/7%

Based on 473 returns

• **Child care information/referral service** — A computerized information and referral service that helps parents locate current openings in licensed family day care homes and day care centers throughout Hennepin County has been funded by several organizations, including General Mills, Honeywell, Northwestern National Life Insurance Company, Tennant Foundation, Northwestern Bank Employees' Council and Northwestern Bell Telephone Company. In Ramsey County a similar computerized system is being set up with help from the Downtown Employers Task Force on Child Care and with funds from the St. Paul Companies, 3M and First Bank St. Paul.

Effects on Employee Performance

Below are examples of the major problems cited by employer respondents:

"Absence because of sick children, tardiness and worry because of child care problems."
"Morale suffers with extra work load when one is on maternity leave."
"Have had a couple of working mothers leave the company because suitable child care wasn't available."
"Use of sick leave to care for children at home."

By a more than 2-1 margin, the business respondents believe that assisting with employee child care needs has a positive effect on employee productivity, absenteeism, recruitment, retention, morale and tardiness. Less than 50% of the respondents believed that company profits and employee training would be positively effected. (See chart #2) Those who believed that employee performance would be negatively effected only amounted to between 2% and 10% of the respondents.

A logical question to ask might be, "If so many employers believe that assisting with employee child care needs has a positive effect on the company, why aren't more companies implementing additional child care benefits and policies?" One reason could be that that responses only indicate the opinion of one person within the company. The company decision makers may not share the same opinions. Another reason could be that employers are not aware of all the different benefits and policies that are possible, or they may be concerned that such benefits will not be cost effective.

On this last point, there are few, detailed cost benefit studies of the effects of child care programs on employee productivity issues. The survey respondents showed great interest in this area. Further information about the costs of providing various child care benefits was desired by 59% of the respondents, and 67% wanted to know the effects of child care benefits on company profits.

One study which is available was done at the Northside Child Development Center in Minneapolis. It showed that among employees who worked at a participating company, the average monthly absenteeism declined 22.5% over a three year period after enrolling their children at the center. In addition, the turnover rate of mothers using the child care center was 37% of that of mothers not using the center. This study, however, was completed in 1973 and no similar cost benefit studies have since been undertaken in the state.

Across the country there are a few reports of tangible economic benefits to companies that initiated child care programs:

• 89% of the employers with on-site child care centers reported an increase in their ability to attract new employees, according to a national study done by Kathryn Senn Perry.

• Intermedics Corporation in Texas experienced an estimated 9% cut in employee turnover and a reduction in absenteeism of 3,400 personhours since their on-site center opened in 1980.

• Surveys done by the American Management Association on flexible work hours in 1974 and 1977 showed that flextime improved employee morale in 97% of the organizations using it. Absenteeism was reduced in 73% of the organizations, tardiness was reduced in 84% of the organizations and 48% reported increased productivity.

But such studies on the financial impact on corporations of instituting various child care benefits are rare. In many businesses, however, financial consideration is only one factor in deciding whether a child care benefit is adopted. A company philosophy that leads management to concern itself with the well being of its employees and their families can be very important. Hardy Rickbeil, the former owner of Rickbeil's Inc. of Worthington says, "Kids are the future" and this attitude is reflected in the flexible way the company has responded to employees who have become pregnant. Many other companies have adopted their child care programs simply because, as Robert Taivel, Personnel Director of St. Luke's Hospital in Duluth said, "It sends a clear message that the hospital is interested in and cares about our employees."

On-Site Child Care Centers

As of the end of 1981 there were nine on-site child care centers in Minnesota. Two more are expected to open in early 1982. Below is a list of the business sponsors and the year their child care center opened.

1971 Mercy Medical Hospital — Coon Rapids
1973 Fairview Community Hospital — Minneapolis
1975 Rochester Community College — Rochester
1979 Carlson Craft — Mankato
1979 The Retirement Center — Buffalo
1980 St. Ansgar Hospital — Moorhead
1981 Cardiac Pacemaker — Shoreview
1981 William Mitchell College of Law — St. Paul
1981 Mount Sinai Hospital — Minneapolis
Early **1982** Abbot-Northwestern Children's Hospital in Minneapolis and St. Luke's Hospital in Duluth.

A number of other businesses are planning to open child care centers for their employees in the near future. Although there has been much media attention focused on this option over the past year, companies with on-site centers represented only 2% of the survey respondents. Fully 63% of the respondents said that they would not consider this option, probably because of the high cost of such a program or the limited size of the company. Businesses with a largely female workforce, a late work shift, or a particular recruitment or retention problem were most likely to have an on-site center. Hospitals currently sponsor a majority of the centers. A number of other hospital centers are in the planning stages.

All of the businesses with on-site centers subsidize their operations to some degree. Some only provide space or limited support services, and parents are charged the going rate to enroll their children. Others subsidize the rates for their employees while parent users from the community pay the full fee.

Lutheran Deaconess Hospital in Minneapolis gives its employees a 20% discount for those using the child care center connected with Fairview Community Hospital. The centers are run either by company staff or by outside child care providers.

About the Survey

The survey was conducted by Parents in the Workplace, a nonprofit organization based in St. Paul, Minnesota. Parents in the Workplace is a consultation service for businesses with employees who are parents. The survey was sent to approximately 5,000 Minnesota businesses between August and November 1981 and 473 responses were received. A majority of the surveys were filled out by personnel department staff. Mailing lists from a number of Chambers of Commerce and other trade associations were used.

Returned surveys that came from 36 banks and financial institutions, 29 hospitals, 26 nursing homes, and 24 insurance companies expressed a higher than average level of activity and interest in child care benefits. The remaining respondents were from a wide assortment of large and small companies including retail businesses, manufacturers, hotels and non-profit organizations. Thirty-eight per cent of the respondents were from outside the Twin City Metropolitan Area. Because the mailing lists sometimes overlapped each other, the survey respondents do not represent a scientific sample of all Minnesota businesses. Follow-up calls were made to a number of respondents to gather further details for this report.

Options for Employer Sponsored Child Care

Chart #1

Which best describes what your company is doing concerning the following?

		Currently Have This	Are Considering/ Could Consider	Wouldn't Do This
(a)	Two people sharing one job?	131/28%	223/49%	107/23%
(b)	Flexible scheduling of employee's work hours?	255/54%	141/30%	77/16%
(c)	Opportunity for part-time work?	376/81%	67/14%	23/5%
(d)	Leave to care for sick children?	271/58%	121/26%	75/16%
(e)	Child care center at the worksite?	9/2%	161/35%	291/63%
(f)	Corporate charitable contributions to child care programs?	67/15%	175/39%	206/46%
(g)	Subsidy for parents who choose their own day care program?	12/3%	130/28%	317/69%
(h)	Cooperate jointly with other businesses in providing child care benefits?	32/7%	261/56%	169/37%
(i)	Disability leave for new mothers?	326/71%	77/17%	57/12%
(j)	Child care leave for new parents?	173/38%	175/38%	110/24%
(k)	Worksite seminars to help parents learn to balance work and family responsibilities?	29/6%	299/64%	141/30%
(l)	Child care information/referral service?	66/14%	294/64%	99/22%
(m)	Benefit package which allows employees to choose which benefits they want?	72/16%	244/52%	151/32%
(n)	Subscribe to outside agency to provide family related services for employees?	82/19%	210/48%	149/33%

Based on 473 returns

The Problem of Equity

Said one respondent: "(Our) largest concern is treating employees with young children and employees without, equally. Hard to motivate the latter group when they see the first group getting extra paid time off, etc."

One solution for companies with this problem is to institute a flexible benefit program. Often called "cafeteria" benefits, such a program usually provides employees with a "core" of fixed benefits (medical, insurance, vacation, etc.) and then allows them to choose additional amounts of some benefits over others, or choose elective benefits such as child care, according to individual need. The survey indicated that 244 companies are considering, or could consider, such a program. (See chart #1.).

Offering a child care option under a flexible benefit program has become more attractive under the Economic Recovery Tax Act of 1981. The law says that amounts paid by an employer to an employee under a qualified dependent care assistance program are not included in the gross income of the employee, for the tax year beginning January 1, 1982. The dependent care assistance program may assist employees by paying providers who offer dependent care, directly reimbursing employees for their child care costs, or establishing an on-site child care center. (See chapter 3 in the Parents in the Workplace Report for more tax and child care information.)

Conclusion

The survey results reveal a high level of interest in business-initiated child care benefits and programs. Many companies are just beginning to consider this subject by gathering information, forming task forces and assessing their own particular needs. Because of the diversity in company size, number of parent employees and employee needs, there is clearly no one best solution to the problem.

The survey results indicate that during the next few years Minnesota will see a major increase in the response of business to the needs of working parents.

December, 1981

Parents in the Workplace: A Management Resource for Employers offers businesses a variety of important services: Assessments of employee child care needs, Feasibility studies to assess the impact of specific child care benefit options, Technical assistance, Seminars for human resource/personnel staff, and Resource materials.

Parents in Workplace is a division of Toys 'n Things Training and Resource Center, a non-profit corporation. Much of the funding for Parents in the Workplace services is provided by CETA and the Minnesota Department of Education, Adult Vocational Section through the St. Paul Technical Vocational Institute.

For further information, write or call: Parents in the Workplace, 906 North Dale Street, St. Paul, MN 55103; (612) 488-7284.

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